



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2193 (1951)

December 13, 1990

SUBJECT: Guideline for the Review of Writedown
and Buyout Under FmHA Instruction 1951-S

TO: State Directors, District Directors and
County Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance for reviewing writedown and buyout under FmHA Instruction 1951-S. The intended outcome is to ensure that these debt servicing actions are thoroughly reviewed for accuracy by the State Director prior to approval.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN No. 1929(1951) which expired on December 31, 1989. Items on the checklist attached to this AN have been rearranged for clarity and some new servicing items have been added.

IMPLEMENTATION RESPONSIBILITIES:

The attached checklist should be used by State Directors to review debt servicing requests for writedown and/or buyout. State Directors may supplement this checklist to meet any special servicing needs or requirements as a result of State law or unique farming enterprises or conditions. Upon completion, the checklist should be attached to and filed with the DALR\$ printout.

LA VERNE AUSMAN
Administrator

Attachment

EXPIRATION DATE: October 31, 1991

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1951-S



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

ATTACHMENT

CHECKLIST FOR REVIEWING WRITEDOWN AND BUYOUT

- ____ 1. Check that the correct version of DALR\$ was used.
The correct version after 9/12/89 is 4.2.
- ____ 2. Check that the correct interest rates and terms for all FmHA debts were entered into DALR\$ and that the figures for unpaid principal and interest are correct.
- ____ 3. Check all basic borrower information in the DALR\$ program by reviewing the Farm and Home Plan and application. Do the figures for balance available and payments on non-FmHA debts in DALR\$ correspond to the figures from Tables J & K of the Farm and Home Plan?
- ____ 4. Review the personal financial statements of all individuals who signed the promissory notes as required by Section 1951.907(h)(1)(i) of FmHA Instruction 1951-S, if the borrower is a corporation, cooperative, partnership or joint operation.
- ____ 5. Check the amount and verification of nonfarm income.
- ____ 6. Check that the unpaid debts of all creditors have been verified on Form FmHA 440-32. Are the loan balances of secured creditors with prior liens properly entered in DALR\$ for net recovery buyout?
- ____ 7. Review the borrower's projected income, expenses and production to see if they are based upon actual records for the past five years, in accordance with Section 1924.57(d)(1) of FmHA Instruction 1924-B. Also, was an analysis completed for the previous year?
- ____ 8. Review the unit commodity prices used in the Farm and Home Plan to determine if they comply with the annual unit prices published by the State Office. If they do not, what documentation has been provided to use other figures.
- ____ 9. Check that all projected loans in the Farm and Home Plan have been entered into DALR\$.
- ____ 10. Check that the value of the restructured loan is at least equal to or greater than the net recovery value for writedown.
- ____ 11. Review Form FmHA 1962-1, the Security Agreements and Crop and Chattel Mortgages, if applicable, to verify that all chattel security has been properly accounted for.

____ 12. Check that the real estate and chattel appraisals are current and have been completed correctly. Are these the appraised values entered in DALR\$?

____ 13. Compare the market value and the capitalization value in the real estate appraisal. If there is more than a 5 percent difference, verify that both values have been arrived at properly.

____ 14. Is there evidence that mediation was offered to all undersecured creditors?

____ 15. Is there a Borrower History Report generated by SENT indicating the servicing to date?

____ 16. For post review, check that the prepared real estate mortgages or Deeds of Trust secure the shared appreciation agreements and net recovery buyout recapture agreements. Also, check that the new promissory notes have been properly prepared.

State Director

Date